

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-430

July 16, 1997

PUBLIC UTILITIES COMMISSION
Inquiry Into Establishing School
and Library Discounts Pursuant to
the Telecommunications Act of 1996

ORDER

WELCH, Chairman; NUGENT and HUNT, Commissioners

INTRODUCTION

In this Order, we announce our plans to approve the Discount Matrix contained in FCC Order No. 97-157. Interested persons are invited to comment on our plans by July 23, 1997. We also solicit comments by August 13, 1997, on how we should coordinate NYNEX's current school and library project with the federal discounts.

I. BACKGROUND

On May 8, 1997, the Federal Communications Commission (FCC) issued a Report and Order on Universal Service (FCC Order No. 97-157, CC Docket No. 96-45) implementing key portions of section 254 of the Telecommunications Act of 1996 (TelAct) pertaining to universal service. Section 254(h) of the TelAct states that schools and libraries should have access to telecommunication services for educational purposes at discounted rates.

The FCC's Order provides federal support of discounts for both interstate and intrastate services for schools and libraries. The Order establishes discount levels for interstate services. For jurisdictional reasons, eligibility for the discounts is predicated upon a state adopting discount levels for intrastate services equal to the federal discount levels for interstate services. We plan to adopt discount levels for intrastate services to schools and libraries at least equal to those proposed by the FCC.

II. DISCUSSION

The TelAct requires that states establish intrastate discounts on designated services provided to eligible schools and libraries. Specifically, Section 254(h)(1)(B) states:

All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other

parties. The discount shall be an amount that the [FCC], with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities.

Section 254(h)(1)(B) of the TelAct permits the states to determine the level of discount available to eligible schools and libraries with respect to intrastate services. Paragraph 550 of the FCC's Order points out that the TelAct does nothing to prohibit federal funding of intrastate discounts or to prohibit conditioning that funding on state adoption of the federal discount levels. Accordingly, the FCC decided to provide federal universal service funding for intrastate discounts to schools and libraries, conditioned on state adoption of discount levels at least equal to the federal discount levels. Participating service providers will be compensated for the discounts completely through the federal universal fund.

The FCC discounts range from 20 percent to 90 percent for all telecommunications services, internet access, and internal connections, subject to a \$2.25 billion annual cap. The range of discounts is correlated to students' eligibility for the national school free and reduced price lunch program, and urban or rural designation based on Metropolitan Statistical Areas. The FCC adopted the following discount matrix:

SCHOOLS AND LIBRARIES DISCOUNT MATRIX

HOW DISADVANTAGED		DISCOUNT LEVEL	
% students eligible for national school lunch program	Estimated % of US schools in category	Urban Discount (%)	Rural Discount (%)
<1	3	20	25
1-19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

The discounts will be applied to a "Pre-discount Price," which must be no higher than the lowest price the carrier charges to similarly situated non-residential customers for similar services. The Pre-discount Price represents the total price that carriers will receive for the services sold to eligible schools and libraries. While the federal universal service fund will pay the carrier the amount necessary to complete the Pre-discount Price, schools and libraries will pay the carrier only the discounted amount. Therefore, schools and libraries have an incentive to obtain the lowest possible Pre-discount Price, which is obtained through a bidding process administered by the National Exchange Carriers

Association (NECA) as the temporary schools and libraries universal service fund administrator.

The FCC clarified that a carrier's tariffed rate for an eligible service will represent a carrier's lowest corresponding price in a geographic area in which the carrier has not negotiated rates that differ from the tariffed rate. The FCC does not require carriers to file new tariffs to reflect the discounts it has adopted for schools and libraries; discounts will be applied to existing tariff rates where appropriate. We believe that the FCC's approach is appropriate for Maine carriers. We will not require Maine carriers to file tariffs reflecting their discounts for schools and libraries.

The level of discounts we adopt will have no impact on the federal universal service fund assessments paid by Maine carriers. Our telecommunications carriers, and through them Maine ratepayers, will be contributors to the federal universal service fund regardless of any action of the Maine Commission.

The FCC Order, Paragraph 551, recognizes that Section 254(h)(1)(B) provides that states may establish discounts greater than those established as federal levels. States also retain discretion to establish Pre-discount Prices, to which the discount is then applied, lower than that which would be determined by the market. However, no federal funding will be provided above the amounts necessary to support the federally approved discount levels. Therefore, a state that chooses to establish greater discounts must provide the funding to support the difference between the federal and state discounts.

We believe that we should adopt the FCC matrix so that Maine's schools can apply for discounts as soon as the FCC makes the applications available. We seek comments by July 28, 1997 on our intent to adopt the federal discounts. We also seek comments on how the current school and library initiative conducted by NYNEX pursuant to our Order in Docket No. 94-254 should be coordinated with the federal program. In particular, we ask interested persons what changes, if any, to the current program are needed to ensure Maine ratepayers receive the maximum benefit from available federal funds.

III. CONCLUSION

By this Order, we notify all interested persons that we plan to approve the federal discounts no later than July 28, 1997. Anyone interested in commenting on our intent to adopt the federal discounts may do so by July 23, 1997. Interested persons may file comments on how to coordinate the NYNEX project with the federal discounts by August 13, 1997.

Accordingly, we

O R D E R

1. That all telephone utilities in Maine be sent a copy of this Order; and

2. That all interested persons on the service list for Docket No. 96-900, *Public Utilities Commission, NYNEX Schools and Libraries Project*, be sent a copy of this Order.

Dated at Augusta, Maine this 16th day of July, 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Hunt